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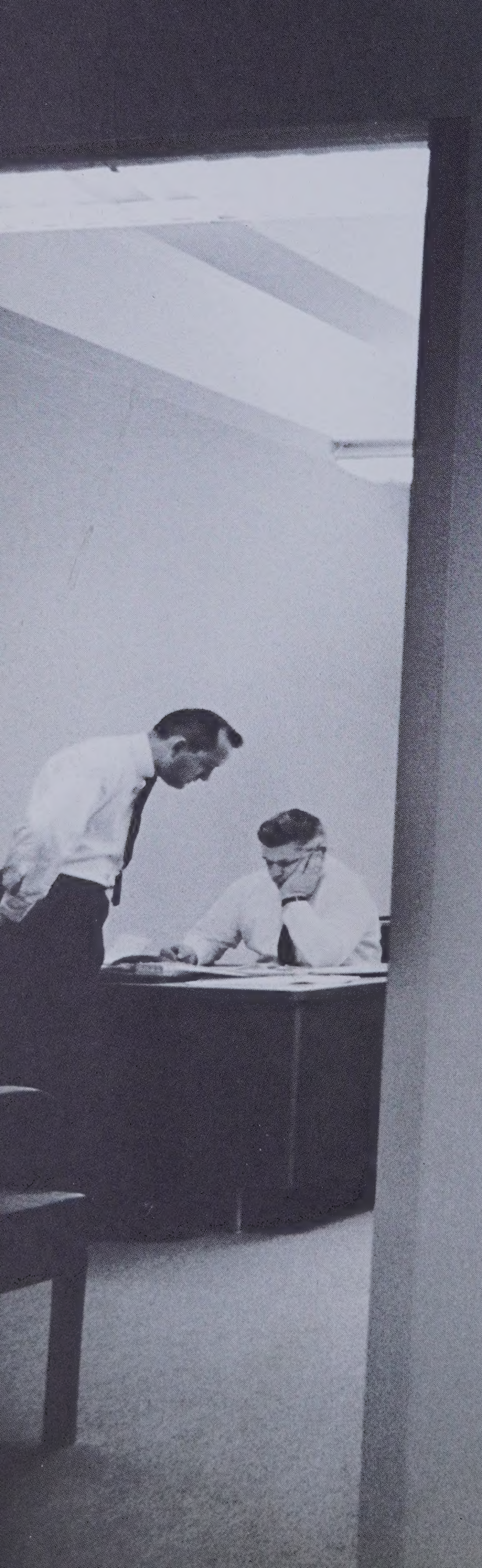
American Can Company and its People 1968 Annual Report



About the Cover

While sophisticated computers and churning machinery are normally thought of as the substance of business, the ultimate element continues to be man. His contribution is symbolized on the cover of this report by the hands of one of American Can Company's printing employees. The human element of making things and selling them for a profit is the theme of this report's introductory section and of its pictorial "people-at-work" reportage.

Contents

Financial Highlights

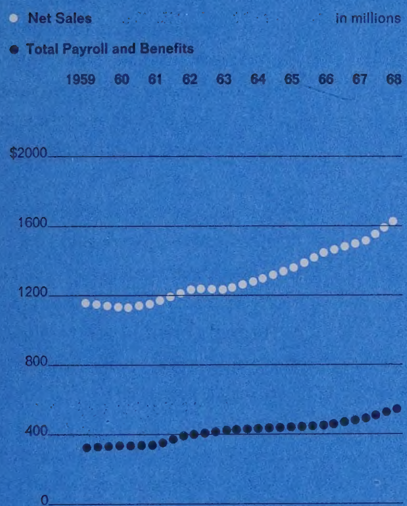
	In Thousands of Dollars except per share amounts 1968	1967
Net sales	$1,633,022	$1,521,814
Income before extraordinary loss:	77,643	76,115
Return on sales	4.8%	5.0%
Per share of common stock	4.25	4.18
Extraordinary loss after income taxes, principally from contract to sell glass container business	—	15,614
Net income after extraordinary loss	77,643	60,501
Per share of common stock	4.25	3.29
Dividends:		
On preferred stock, $1.75 per share	2,908	2,908
On common stock, $2.20 per share	39,209	37,545
Book value per share of common stock	38.31	36.28
Capital expenditures (replacement and new facilities)	164,306	141,159
Depreciation and depletion	61,237	57,271
Taxes of all kinds, including income and social security taxes	107,688	100,401
Total taxes per share of common stock	6.12	5.72
Total payroll and employee benefits	534,143	491,694
Stockholders:		
Common stock	115,899	118,590
Preferred stock	6,316	6,244
Average number of employees	54,400	53,600

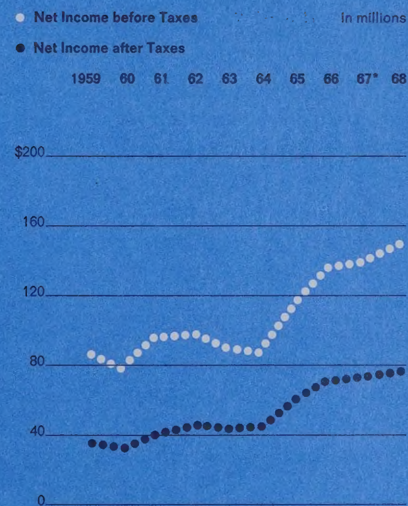
Annual Meeting: The annual meeting of the stockholders will be held at the California Masonic Memorial Temple, San Francisco, at 10 a.m., Pacific Daylight Time, Tuesday, April 29, 1969.

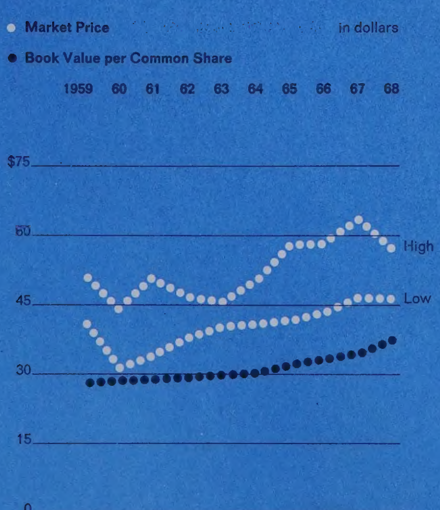
Transfer Agent: Bankers Trust Company, New York, N.Y.

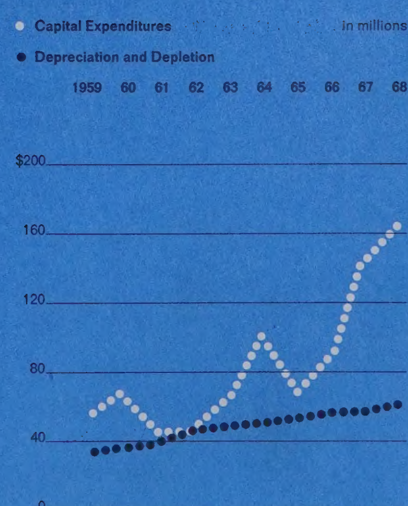
Registrar: First National City Bank, New York, N.Y.

Financial Charts









*Before extraordinary loss

Message To Stockholders

The past year represented the sixth consecutive reporting period in which American Can Company was able to report record growth.

Net sales for 1968 were $1,633,022,000, an increase of 7.3 per cent over the $1,521,814,000 reported for 1967.

Net income for 1968 was $77,643,000, or $4.25 per common share, compared with $76,115,000 or $4.18 per common share before deducting an extraordinary loss in 1967. Had it not been for the tax surcharge, the 1968 per common share net income would have been $4.59.

Sales to all major market areas improved during the year. Beverage can production operated at full capacity and consumer disposable and service products also recorded market improvement.

Earnings of chemical operations and printing services fell below results in the fourth quarter of last year due to non-recurring costs and expenses in major plant start-up in the company's chemical operations and the programmed consolidation of printing services which included the closing of two plants to achieve better efficiencies.

The MiraSeam can, made with a bonded rather than soldered side seam, had great success. The two billionth MiraSeam can was produced in 1968. By the end of 1969, we expect that another three billion MiraSeam cans will have been made. Other company containers and packages made of metal, plastics and combinations of materials also received good acceptance.

Our consumer and service products continued to make sales gains in most areas. The company's Dixie cups sold particularly well.

Three facility items should be noted.

The company's new paper facility at Halsey, Ore., has begun its initial production and the mill will be on stream in mid-1969.

The multi-million dollar expansion at our Rothschild, Wis., mill for high quality coated and uncoated business papers is near completion.

The new corporate headquarters at Greenwich, Conn., is on schedule and will be occupied in early 1970.

New international facilities have gone into operation in the Philippines and the Dominican Republic; two new plants were opened in Canada. Reads Limited, American's can-making subsidiary in England, expanded one plant and will dedicate a second new facility shortly.

The steady evolution of American Can to a completely market-oriented company, a process begun in January, 1966, continued with the establishment of three business centers: consumer and service industries, packaging, and venture businesses.

Consumer and service industries now includes the pulp and paper and Dixie manufacturing organizations and the consumer, service, and fine paper and forest products marketing organizations. The Butterick division is also included in this business center.

The company's management committee. From left to right, C. Richard Pedersen, George R. Koons, D. Bruce Wiesley, Frank J. Graziano,

Packaging will incorporate the metal or Canco, plastics and paperboard and flexible packaging products manufacturing organizations together with the container and packaging products marketing organizations.

Venture businesses, formerly new businesses and international, will continue to have as its operating units the printing, chemicals and international services of American. The impact graphics activities of the company will also be embodied within venture businesses.

Since our last report to you, two senior vice presidents and four corporate vice presidents have been elected by your board: Howard R. Weckerley, senior vice president, finance; William S. Woodside, senior vice president and group executive, packaging; Hamilton Herman, vice president, corporate research and development; George R. Koons, vice president, employee relations; Donald B. McCammond, vice president, corporate public relations and advertising and C. Richard Pedersen, vice president and general counsel.

Group executive was added to the titles of E. N. Funkhouser, Jr. and Emile Libresco, senior vice presidents.

Vice presidents who have been appointed since the last report are: Jerry J. Burgdoerfer, Alan S. Cook, Stanley I. Mason, Jr., Paul E. Mathias and L. William Sessions.

American Can continued its programs of building its people within and attempting to recruit the finest available talent from without.

A new, depth search was begun within the company in the below-manager ranks to establish who its future managers and executives might be. More than 180 schools and colleges were visited by professional recruitment teams of the company. This total included more than a score of Negro institutions.

The company established high goals for itself in connection with the hiring of the so-called "hard-core"—people who have been considered unemployable in the past. These goals have been, and will continue to be, satisfied or exceeded.

A very difficult situation for the company and the people involved existed at Bellamy, an Alabama town that was located on property connected with a woodlands acquisition. The problem concerned company-owned housing and other properties. Today, the employees own the housing and Bellamy is on its way toward becoming a self-sufficient community.

This then is our report to you for the year 1968.

Your company is progressing in most areas. It is dealing with its problems decisively. It is utilizing the most modern techniques available to it to bring forward new products and to investigate new and additional business opportunities.

We believe that 1969 will establish new records for the American Can Company.

Respectfully submitted,

William F. May

William F. May, Chairman and President
February 4, 1969

Howard R. Weckerley, William F. May, Herbert R. Brinberg, Emile Libresco, E. N. Funkhouser, Jr., William S. Woodside, Hamilton Herman.

Time was when the establishment of a business and its maintenance was a relatively simple affair. A product was made from the raw materials and tools available or a service was performed by your own hands. If a customer needed or wanted what you had to sell, he paid for it. If your output was a drug on the market, you tried something else or went to work for a more successful craftsman.

Those who survived in business were those who studied and anticipated not only the customers' needs or desires but also the matters of sophisticated manufacture, the location of raw materials or the conversion of old materials to new, efficient transportation, finance and all of the other factors which today make business one of mankind's most challenging and gratifying preoccupations.

It is only within the recent period of industrial history, however, that man has really begun to study man in his relation to business and to the manufacture and marketing of goods and services. The conclusions may appear obvious today, but for a long period they were either hidden or not accepted. Now, it is not just an idle phrase when a company says, "Our most important resource is our people."

The positive economic growth pattern and success of the American Can Company cited in this report have been credited to a variety of causes including product mix in both the packaging and consumer areas, manufacturing efficiencies and research and development. The company feels, however, that the answer is a much more simple and basic one. The growth of the American Can Company can be traced in a very direct manner to its 54,000 employees.

As you, the owners of the company, read this report of the year 1968 and what is expected to result as American prepares for 1969 and the 70's, you will see a continuing thread of growth being woven by the people of your company.

This Annual Report is dedicated to the men and women of the American Can Company.

A Growth Company

In 1968, the American Can Company continued to underline its reputation as one of the country's select, blue chip corporations. (The company is ranked 45th in Fortune magazine's 1968 listing of the 500 largest U.S. industrial corporations.) The per cent of growth of pre-surtax earnings for American exceeded that of the estimated gross national product in 1968.

Sales in 1968 reached $1,633,022,000. The earnings in 1968 per share of common stock after dividends on preferred stock were $4.25, compared to 1967 sales of $1,521,814,000 and earnings per common share of stock of $4.18 before an extraordinary loss. A comparison with the same period five years ago: In 1964 the net sales of American Can were $1,292,107,000, and earnings per share were $2.70. The per cent increase since 1964 for sales is 26.4. The per cent increase for earnings is 57.4.

The new businesses of The Butterick Company, Inc., and Printing Corporation of America were joined with the corporation. The bond issues for financing the Chemplex petrochemical complex, owned jointly by American Can and Skelly Oil Company, now total $90 million.

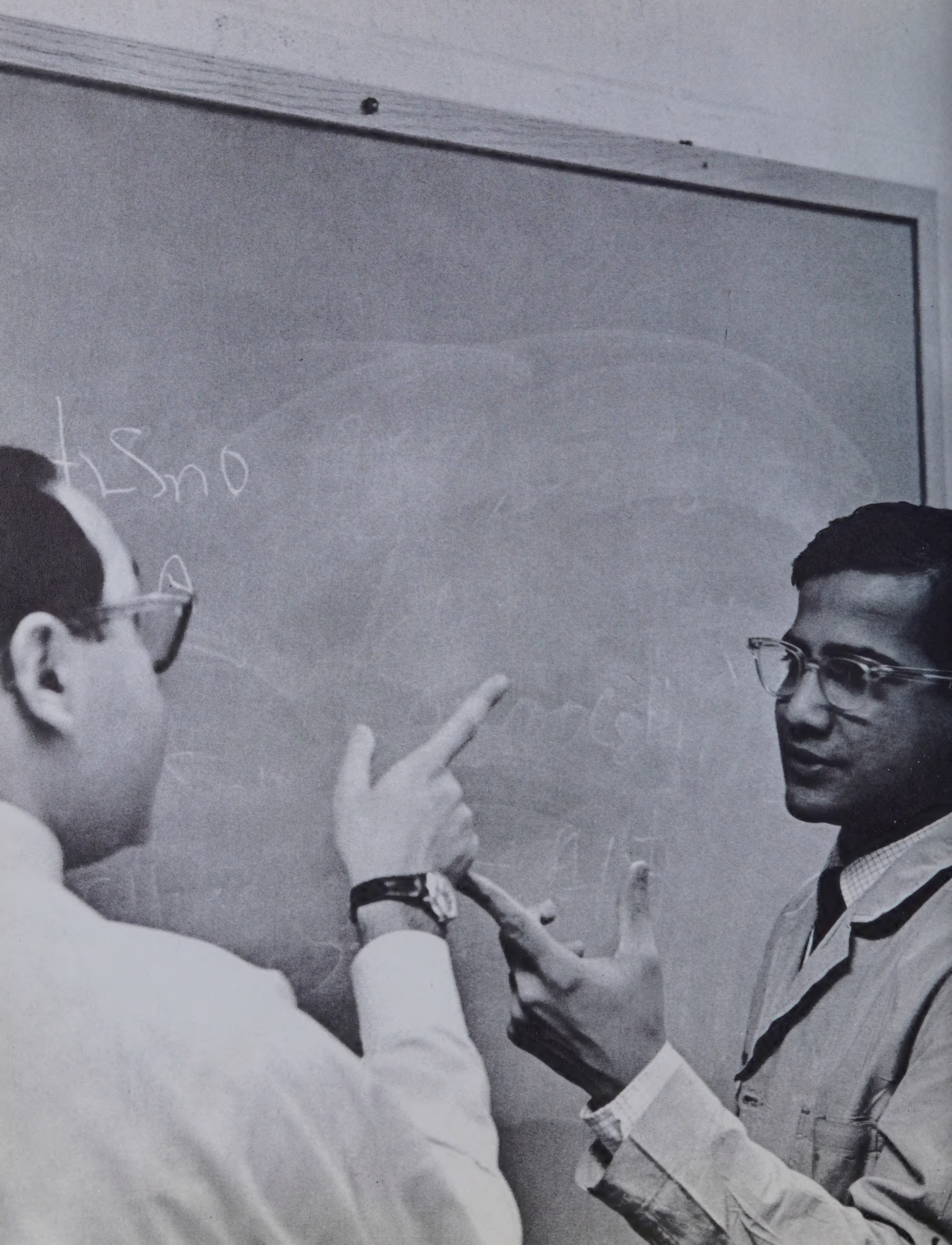
The corporation's ability to move in both acquisitions and financing here and abroad was expanded through an amendment of the company's Certificate of Incorporation in 1968 which authorized the issuance of five million shares of preference stock and an increase in authorized common stock from 25 million to 30 million shares.

Packaging

The year of this report will go down as one in which plans in the marketing and production areas provided what we believe will be a solid base for what's to come in 1969 and the 70's.

The MiraSeam can, made with a bonded rather than soldered side seam, established itself as the industry's standard.

The two billionth MiraSeam can was produced in 1968. By the end of 1969, it is anticipated that a total of more than five billion MiraSeam cans will have been produced on American production lines. While the container still finds its principal use as a tin-free can for beer, other customer needs contributed to the



success of the MiraSeam can process. An aluminum rectangular can for luncheon meats known as RingSide and an aluminum three-piece can for cocktails proved the MiraSeam process could provide broad market acceptance.

Carbonated beverages are also a good prospect for expanded volume in MiraSeam cans.

Significant strides have also been made in the development of containers and packaging produced from rigid plastic, flexible films and laminations of varied materials.

Innovations in this area were paced by development of the co-extrusion process, which combines varied plastics into a single sheet of film. One of these, Maraflex Z, is used to wrap and seal individual slices of cheese which then are multi-packaged in an outer lamination of flexible film and cellophane. Laminations of flexible film, paper or foil also continued their impact as packaging for cheese, candy and a wide range of specialty foods.

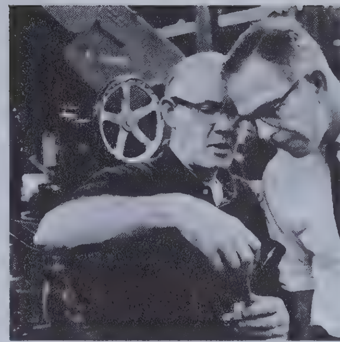
Another member of the Maraflex family is used to package sliced luncheon meats. A flexible film base with a domed rigid plastic top combines production efficiencies for the meat packer with product visibility and storage convenience for the retailer and the consumer.

Then there was the market penetration of polyethylene square bags for potatoes and bags decorated with fluorescent inks which add shelf appeal for breads and other products. These containers, together with the Maraflex and Vello-Pak systems for prepared pouched frozen foods, provided leadership in the containment and easy accessibility of a wide range of food and convenience products.

Consumer Products

Each company has its "glamour" line and the consumer disposable products of American Can fill and complete this category for the corporation. At the same time it does so from the solid base of anticipating quite realistically what people will require in the near and far future.

A continuing acceptance of the company's consumer products was one of the principal reasons for American Can's new record sales in 1968. Dixie, Northern, Gaia, Aurora—four of

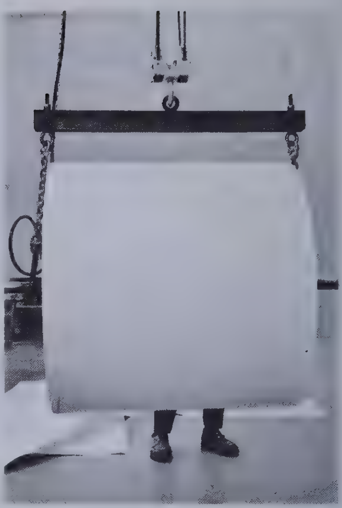


Whether it is a chalk talk (left) at M&T Chemicals' Rahway, N.J., facility or an on-line problem that has to be talked out at the Hillside, N.J., can plant (above), men relate to men, and managers and supervisors work at drawing out the natural desire of their people to contribute.

the company's consumer brand names—showed sales gains in most of the areas where they are sold. Backed by important advertising exposures on television, the Dixie line of paper cups and dispensers for bathroom, kitchen and all-purpose home use reached new sales highs and signaled the increasing move by the consuming public to convenience products of all types.

New Gala family luncheon-size napkins with a printed border and a two-color printed border Gala towel were among the new versions of consumer products introduced in 1968. There was also the new Northern "fat" towel which offers greater absorbency and modern graphic design.

Butterick, whose stylists continue to purchase more couturier designs than any other organization in the world, had a record year in sales and earnings improved.



Service Products

Sister products to the company's consumer lines are those in the service area. Up-dated consumer tested designs in service products kept pace with the vending machine trend of the Go-Go generation with the new Hi-Flite line of cold drink cups. Further refinements were made in the Menu Master system, a unique development that provides the basic service items for multiple feeding and then insures they will be ground up to a semi-dry, odorless pulp approximately 20 per cent of the original bulk.

The basic elements of the Menu Master system are disposable plastic-coated paperboard trays, paper cups, paper napkins, plus a specially-designed disposal unit eliminating high capital investment in dishwashers, refrigerators, crockery, silverware, and a large labor force.

Facilities

The production facilities and the manpower capabilities of American kept pace with the marketing potential of the company during the past year. In 1968 two major facilities were brought on stream and four important expansions undertaken. Four facilities were closed or converted to other uses.

The new San Francisco Machine Shop was fully staffed and is now operating.

You take things like pulp and you make paper out of it at Neenah, Wis. (above), or you fashion Super MiraSeam cans out of steel at Hillside, N.J., (right). But, it's the markets to be served be they San Antonio or Sweden that are your prime interest, not the materials. You'll serve a customer with one material if that's what he wants or give him a combination.

The Chemplex Company is now well under way on both its low and high density polyethylene production.

The Halsey, Ore., facility, where the company will be turning out 300 tons of tissue each day, has begun its initial production and the mill will be on stream in mid-1969.

The multi-million dollar expansion at American's Rothschild, Wis., facility is almost complete. It will provide a new daily machine capacity of approximately 300 tons of high quality uncoated papers as well as coated papers, which represent a new market for the company.

The new corporate headquarters at Greenwich, Conn., is on schedule and will be occupied in early 1970.

Diversification

The company has a stated policy of diversifying into any new area to which it can bring unique and specific value by its technology, marketing ability or manufacturing capacity. Investigation of new opportunities which would benefit the company because of profit or technological possibilities continued.

During the year both Butterick and Printing Corporation of America have been operating as divisions of American Can.

As reported earlier, the polyethylene joint venture of American and Skelly Oil is now operative and its benefits will redound to the two participants in the joint venture.

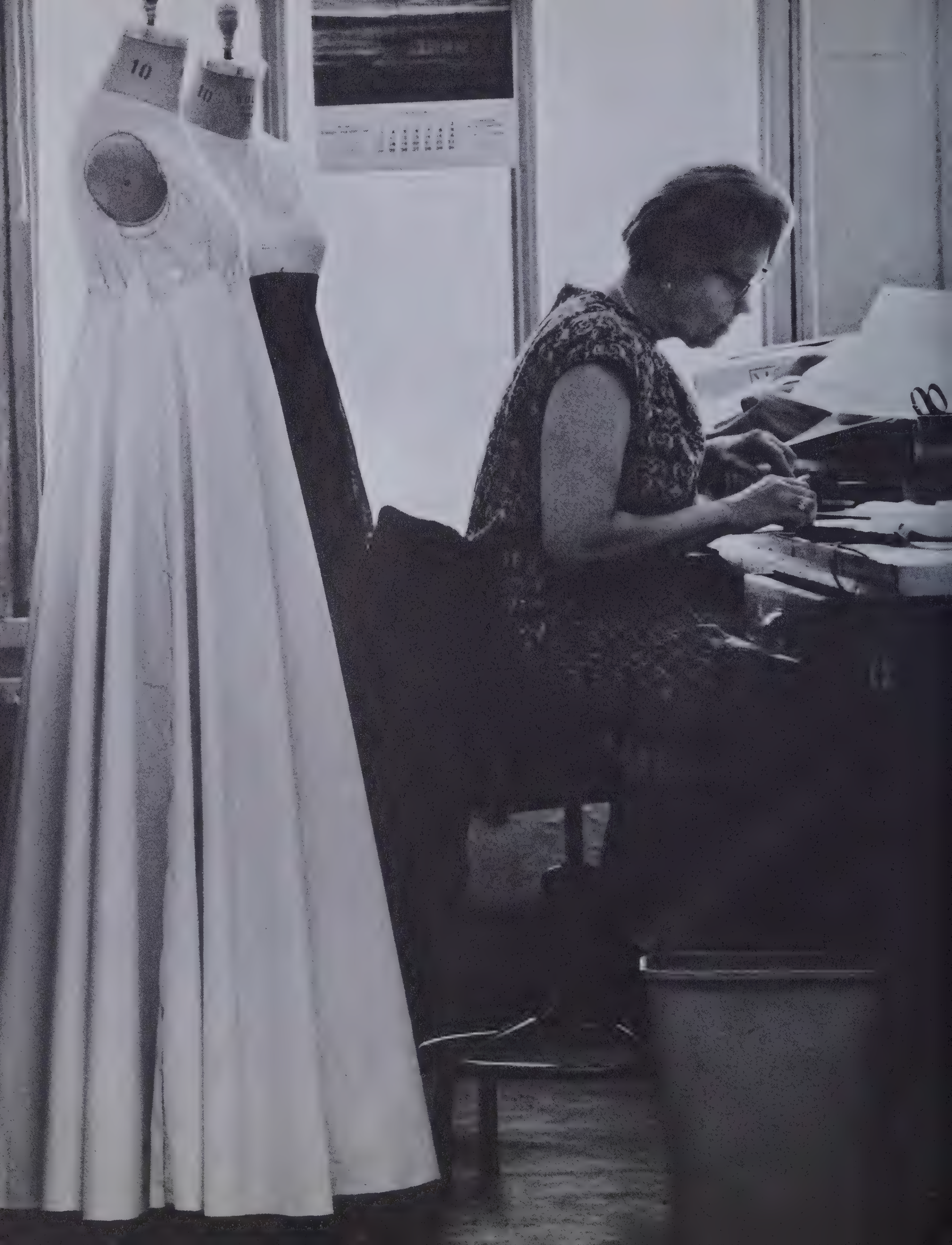
Technology

American continued its research and development in line with its growth requirements and revenue dollars. Undoubtedly the best example in 1968 of the type of results that can be drawn from well managed technological studies is the sanction by the Government of tin stabilizers for use in transparent rigid plastic containers for food.

Until this advance by M&T Chemicals Inc., a wholly-owned subsidiary of American Can, the food packaging markets were out of reach of clear vinyl plastic bottle manufacturers because of Government regulations or economic factors.

Again, this is just one of the company's recent research and development efforts.

Whether you're selling Dixie cups in Philadelphia (above) or making plastic ones at Forks Township, Pa., you have a pride in what you're bringing to the company, and it isn't just so many hours for so many dollars. Our Dixie cups were so popular this year that we at American Can couldn't turn them out fast enough.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The Nation

American Can Company has a natural and binding relationship to the national economy and the general evolutions of the country's problems and growth.

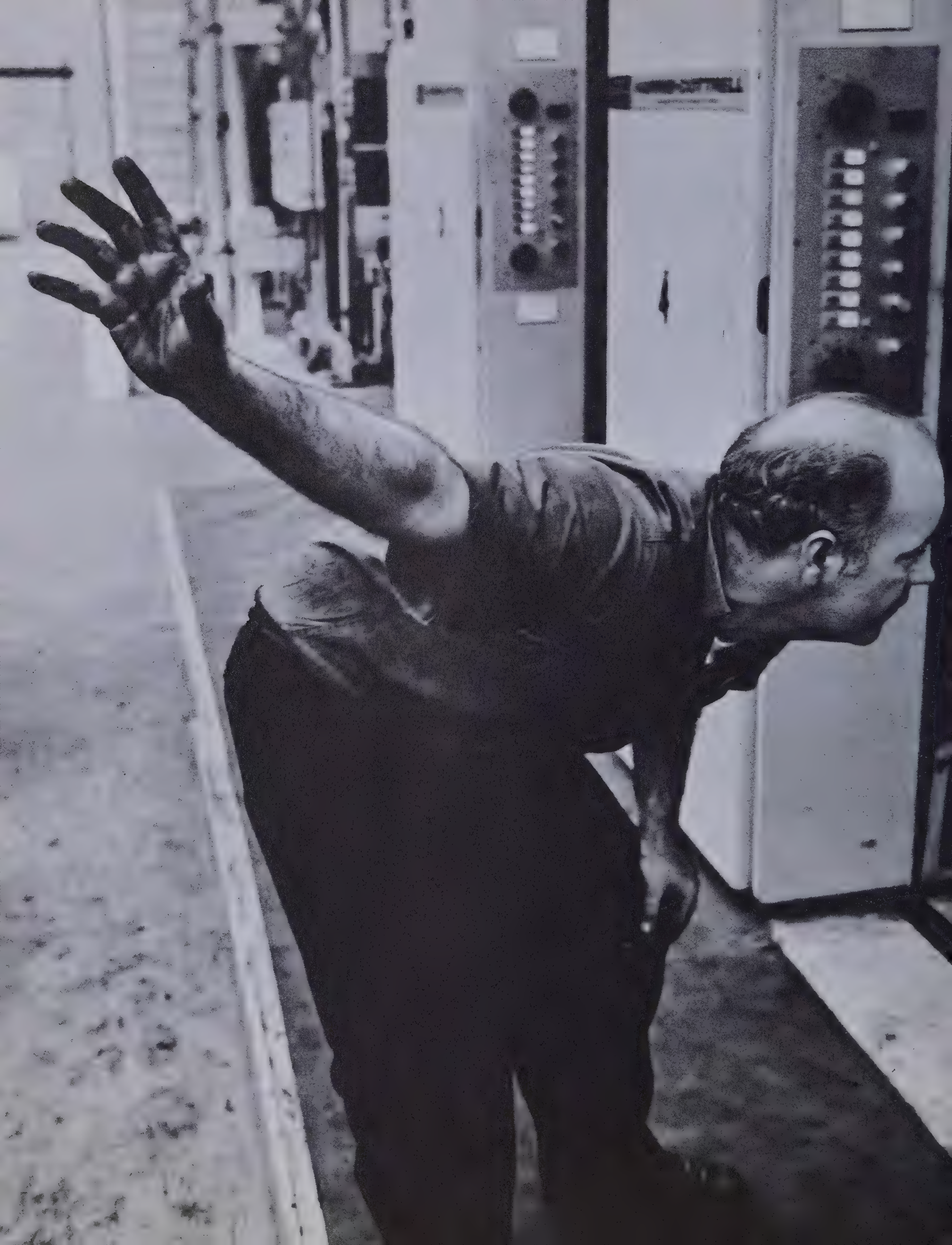
On the economic side the company benefited as the country did. Though it was a period of doubt and question for the nation, the overall economic picture was positive. In its area of businesses American Can had no major labor difficulties, and, generally, economic conditions and business were good.

On the human side there also appeared to be progress on the national scene though it was difficult to see through the haze of turmoil. Business had promised to draw a plan for the employment of the so-called "hard core" unemployed. As a whole, business was keeping that promise.

American industry turned its ingenuity to the problem of individuals who did not have the advantages of a secondary education or a skill which could be applied in the technological industrial environment of today. Industry delivered on its promise by finding meaningful jobs for over 64,000 hard core as of September 9, 1968. American Can Company participated in the program in 42 urban areas throughout the United States. The company's first six months experience, as of December 31, 1968, in the program reflected that almost 10 per cent or 452 of the company's hires in 42 urban areas were hard core. While the turnover rate was higher than the company wished, it is satisfied that the program has been worthwhile. American has also made executives available to the organization that is coordinating the hard core program, the National Alliance of Businessmen.

The company has an established corporate objective to promote, upgrade or hire people in accordance with their abilities without regard to race, color, creed, sex or national origin. As a part of this dedication American hopes to promote, upgrade or hire 500 members of minority groups into job categories of officials and managers, technicians, sales workers, office and clerical workers and craftsmen by December 31, 1970. In addition, the company has set a goal of increasing minority group representation corporate-wide in all job categories by a total of 1,000 individuals by December 31, 1970. •

It takes skilled hands controlled by trained and creative brains to translate the fashion ideas of a couturier into something that can be cut, sewn and worn by the woman who chooses to do it herself. The ladies of American Can Company's Butterick division (left and above) prepare the exact sewing templates for literally millions of women here and abroad.



These objectives are in no sense quotas. The company believes that by affirmatively pursuing its declaration that it is an "Equal Employment Opportunity Employer" it can exceed the objectives it has given itself.

Another factor in the area of values productivity was this circumstance: Through the acquisition of 127,000 acres of woodlands, the company inherited some housing in Bellamy, Ala., considered to be substandard. This situation presented a major problem to American Can, and for some time it had been trying to find the most equitable solution to the problem for all concerned.

Associated with the housing in Bellamy there was a store operated in a building leased from American. There were churches, recreational facilities and a county school operated on company-owned property.

By working with various governmental agencies, American Can and the Government developed a plan which called for the deeding of company-owned houses to residents who were employees, widows of employees and retired employees.

The plan also included the upgrading of the houses, the transfer of the school properties to the county, the deeding of the churches and recreational facilities to the congregations and assistance to the residents in establishing a cooperative store. American is also assisting the community in its desire to establish a local government.

As a result of these efforts, changes and improvements are already apparent in the community.

A third element in the company's recognition of its responsibilities as an "Equal Employment Opportunity Employer" was the production in 1968 of a motion picture film titled, "Making It." The 27-minute presentation, which is available for national distribution, talks to the chances black men have to get ahead in the nation's economic life.

Roy Wilkins, Executive Director of the National Association for the Advancement of Colored People, said of the film, "The best portrayal I have seen of the problems and the opportunities confronting young Negroes in the business world today. It is factual and encouraging."

Any boy who ever delivered magazines remembers the overpowering smell of ink on paper. Things remain the same where you make a printing run and put a permanence into man's fleeting communications. At Printing Corporation of America, an American Can division (above and left), you don't let things go until they're right. Then you start impressions by the thousands.

Business Centers

In January of 1966 the company announced that its concept of management was to be oriented to the problems and opportunities of its customers rather than to the materials which went into its products.

Since that time American has been following a scheduled plan to restructure its operating groups to achieve the end of being truly a market-oriented company. The final phase of the plan started to take effect early in 1969 with the creation of business centers at the American Can Company.

The consolidation of these services in business centers offers the customer rapid and complete service. There will be a minimum of management levels through which any inquiry or decision will have to pass.

The organizations evaluate and react quickly and efficiently to prospects of change in service areas, to revised product mixes and to trade and general economic conditions.

Three business centers were established: consumer and service industries, packaging and venture businesses.

The consumer and service industries group includes the pulp and paper and Dixie manufacturing organizations, as well as the consumer, service, and fine paper and forest products marketing organizations. The Butterick division is also included in this unit.

The packaging organization is made up of the metal or Canco, plastics and paperboard and flexible packaging products manufacturing organizations, together with the container and packaging products marketing organizations.

Venture businesses is the new designation for new businesses and international. The printing, chemicals and international services of American will continue as operating units of this group.

The impact graphics activities of the company will also function within venture businesses.

An organization of corporate operating services and controls has been established to represent the chairman's office in the coordination of the marketing and manufacturing functions of the business groups and will facilitate consistency in the

Young women, as well as young men, are searching for and finding a place for themselves in industry. Moving can blanks at Reads in England (right) or bo-peeping through apparatus at one of American's research laboratories, the company's distaff side of the young generation express an interest in being where the action is in today's business community.

development and application of corporate policy in the execution of these functions.

Capital Investments

The expansions mentioned earlier and the company's commitment to prepare for future opportunities in the various areas of business have required American to allocate approximately $300 million for capital expenditures over the past three years. This has been used for land, buildings, equipment and new facilities.

In 1968 the company spent $164,000,000 for capital investments. It's expected that approximately the same investment expenditure will apply to 1969.

International

While the company is pursuing logical expansions in the United States, it is also increasing its operations abroad. The company's share of sales by non-consolidated foreign subsidiaries and affiliates has increased substantially during the past year.

The ingredients which make possible the company's expansions abroad consist primarily of advanced technology, marketing know-how, management improvement and precision equipment engineered to local requirements.

□ Twenty-five American Can subsidiaries and affiliates are currently in operation and, in addition, 24 associated firms function as licensees. These operations extend to 32 countries.

□ American's wholly-owned domestic subsidiary, M&T Chemicals Inc., has 8 foreign subsidiaries and affiliates in 6 countries abroad.

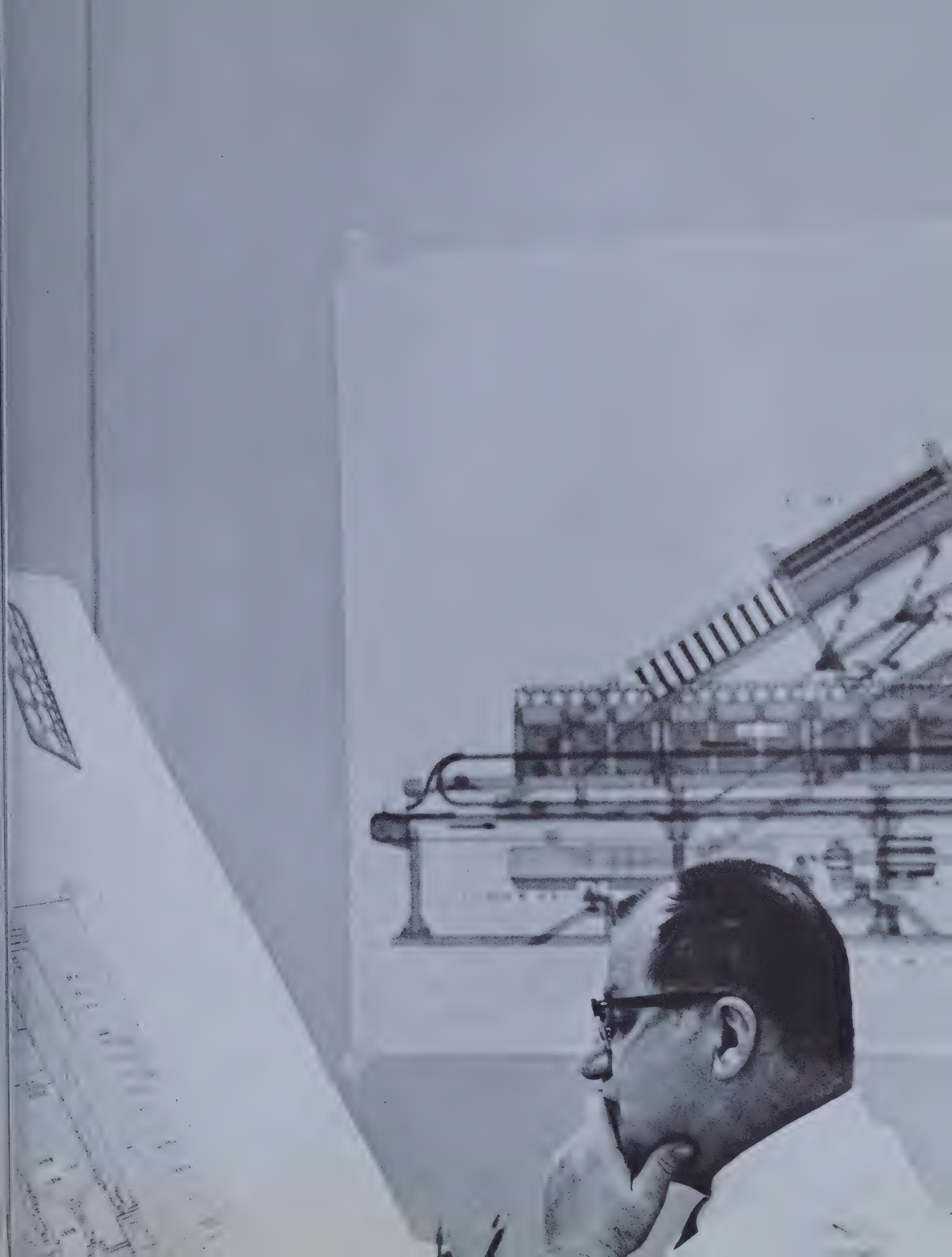
□ Butterick operates 8 subsidiaries in 7 countries.

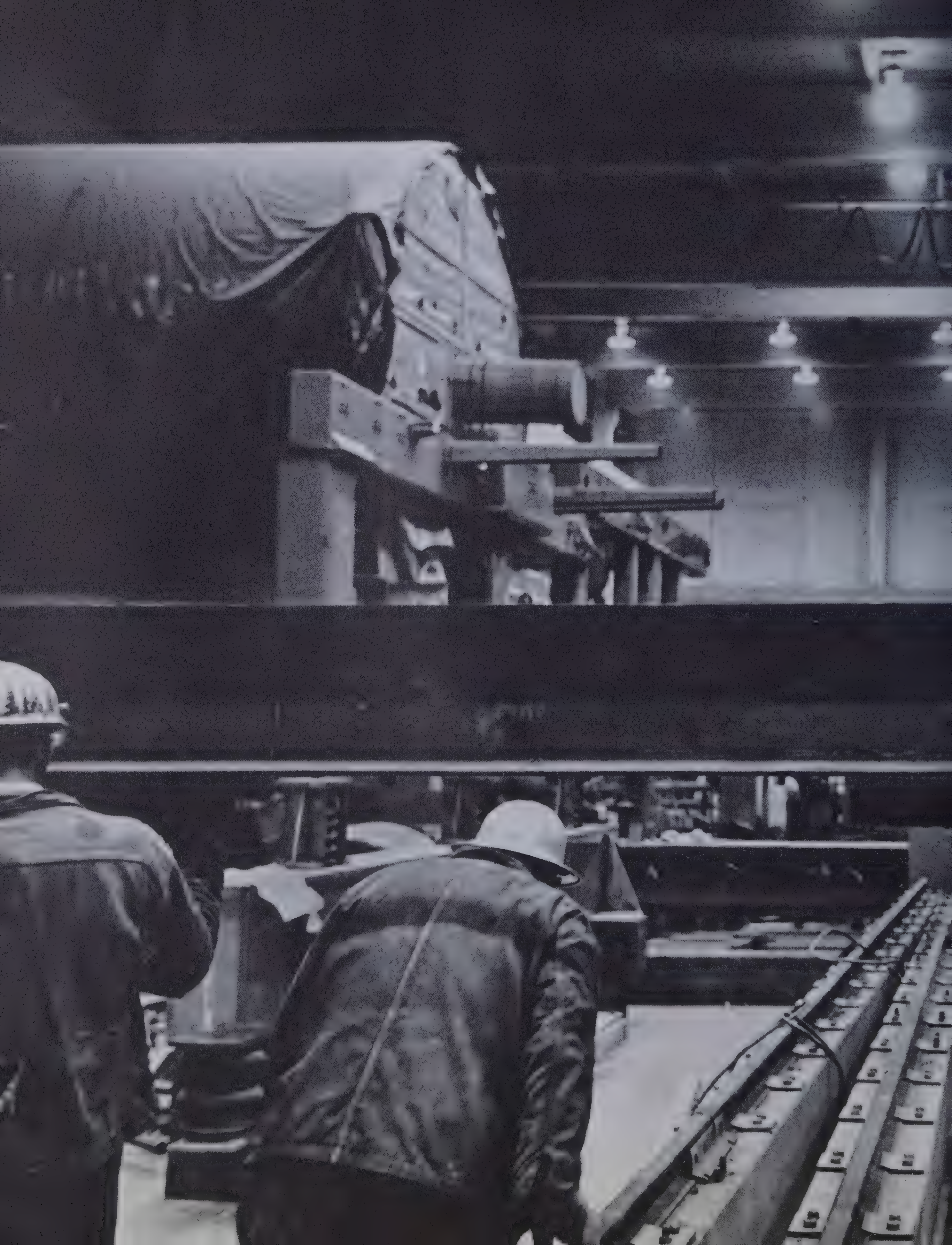
□ In Canada, American Can subsidiaries operate 15 plants and facilities.

In late September, 1968, American Can of Canada Limited opened a new can-making plant at Red Deer, Alberta. A second new can plant was also brought on stream in 1968 at Kelowna, British Columbia.

Reads Limited, based in Liverpool, has installed new production lines and a $3,600,000 facility in England's East Mid-

At times the thought process is a lonely thing. You may be spelling the success or failure of a new product, creating the profit or loss of dollars in the millions. The success of American Can Company has come from decisions that are right most of the time, decisions made at places like the lab at Barrington, Ill., (right) or the home office (above).





lands which will be dedicated shortly. Reads is 60 per cent owned by American.

In recent months, new production facilities of the Dixie Corporation of Manila in the Philippines and of Envases Antillanos in the Dominican Republic have gone into operation.

Expansions and explorations of new operations are also under way in Germany, France, Greece, Sweden, Japan, the United Kingdom and Brazil.

Financing foreign ventures is difficult these days. In May, 1968, however, American Can International Corporation was successful in selling, outside of the U.S., $30 million in 4¾ per cent convertible guaranteed debentures that will be due in 1988. The available funds can be loaned to or invested in American Can subsidiaries and affiliates outside the country to assist in financing their requirements for capital expenditures and working capital.

Goals

The company's performance in 1968 is considered a good base from which even more ambitious goals may be reached in 1969 and the early 70's. It is anticipated that the positive growth of 1968 will continue.

Systems approaches to container production which hopefully will reduce the inroads of self-manufacture are under constant development and evaluation.

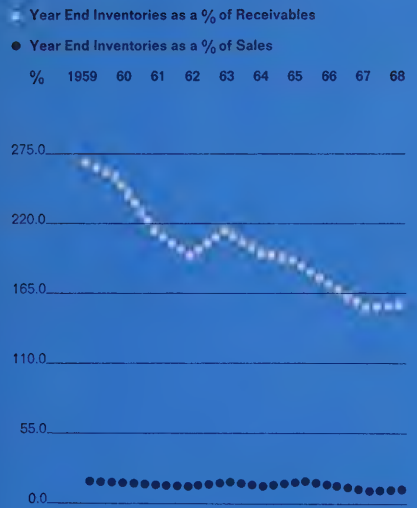
Acquisitions are being studied within a systematic pattern, and an expanded consumer marketing effort on the West Coast is scheduled for 1969.

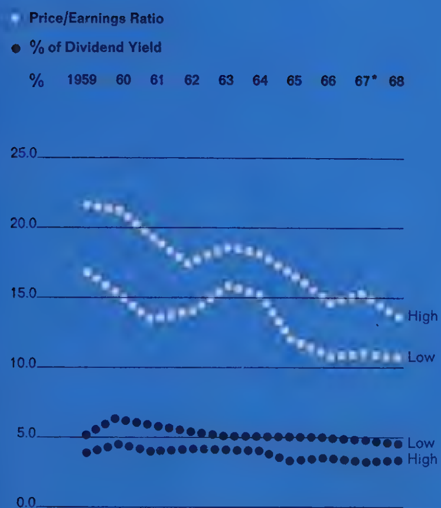
American has, for a number of years, adopted and pursued as one of its stated goals the elevation of its people to higher and more challenging levels of employment and management. At no time in its history has this program of people development received more attention and emphasis than at present.

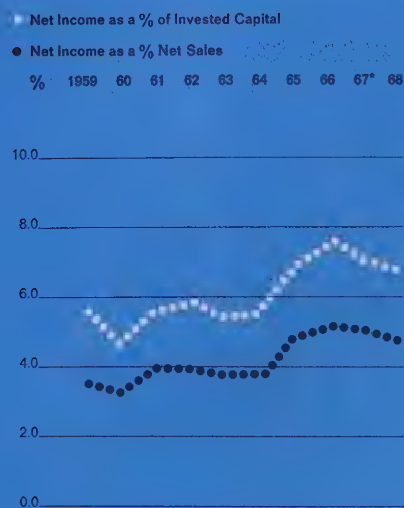
The people of the American Can Company, with their high degree of talent and motivations, are prepared to accept the problems and the opportunities which the company will face as it continues its role as a most important factor on the nation's business scene.

Tell a man by the hat he wears at American? Sure you can. If it's on and hard he may be guiding an I beam into place at our new Halsey, Ore., paper mill (preceding page). If it's soft and resting on a stack of accounting reference books chances are he helped put together the detailed financial information that's to be found on the pages of this report that follow.

Financial Charts







*Before extraordinary loss

Ten Year Financial Summary

	1968
Net sales	$ 1,633,022
Income before Federal and other taxes on income	149,244
Net income after taxes	77,643
Return on sales:	
Before taxes	9.1
After taxes	4.8
Earnings per share of common stock after dividends on preferred stock	4.25
Dividends:	
On preferred stock	2,908
Per share of American Can preferred stock	1.75
On common stock	39,209
Per share of American Can common stock	2.20
Remainder of net income reinvested in the business	35,526
Book value per share of common stock	38.31
Capital expenditures (replacement and new facilities)	164,306
Depreciation and depletion	61,237
Taxes of all kinds, including income (excluding tax effect of extraordinary loss in 1967) and social security taxes	107,688
Total taxes per share of common stock	6.12
Total payroll and employee benefits	534,143
Stockholders:	
Common stock	115,899
Preferred stock	6,316
Average number of employees	54,400
Earned on equity and borrowed capital investment	6.7
Number of American Can preferred shares outstanding	1,661,502
Number of common shares outstanding	17,594,249
Ratio of current assets to current liabilities	2.66 to 1

In Thousands of Dollars, except per share amounts

1967	1966	1965	1964	1963	1962	1961	1960	1959
$1,521,814	$1,449,054	$1,337,123	$1,292,107	$1,227,706	$1,248,243	$1,159,876	$1,132,873	$1,180,659
143,552	142,012	119,555	92,571	96,545	104,517	100,587	78,750	90,745
76,115 (1)	74,868	65,008	49,703	46,961	50,155	46,456	37,132	42,682
9.4	9.8	8.9	7.2	7.9	8.4	8.7	7.0	7.7
5.0 (1)	5.2	4.9	3.8	3.8	4.0	4.0	3.3	3.6
4.18 (1)	4.12	3.57	2.70	2.52	2.71	2.58	2.04	2.37
2,908	2,908	2,930	2,964	3,008	2,948	2,928	2,989	2,989
1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
37,545	37,316	34,593	33,441	33,391	33,311	32,390	32,283	32,037
2.20	2.20	2.05	2.00	2.00	2.00	2.00	2.00	2.00
20,048	34,644	27,485	13,298	10,562	13,896	11,138	1,860	7,656
36.28	35.09	33.10	31.49	30.76	30.03	29.67	28.63	28.46
141,159	92,421	66,626	100,914	68,494	43,579	42,665	69,475	53,845
57,271	53,838	52,986	49,672	46,967	44,300	41,034	39,109	35,834
100,401	97,519	80,918	69,377	76,364	80,352	78,243	64,789	70,115
5.72	5.58	4.64	4.00	4.41	4.60	4.64	3.87	4.20
491,694	465,888	437,633	429,206	412,032	396,321	352,572	352,029	351,316
118,590	120,239	120,224	122,245	118,675	117,929	115,283	106,524	89,050
6,244	6,278	6,449	6,923	7,129	7,210	7,158	6,778	6,447
53,600	52,200	52,300	52,300	50,600	51,221	48,487	50,215	51,354
7.0 (1)	7.7	7.0	5.5	5.3	5.8	5.6	4.6	5.6
1,661,502	1,661,502	1,661,502	1,661,502	1,661,502	1,661,502	1,661,502	1,661,502	1,661,502
17,564,371	17,487,843	17,447,236	17,347,674	17,327,962	17,451,411	16,850,474	16,729,541	16,713,085
2.94 to 1	2.59 to 1	2.77 to 1	2.95 to 1	3.44 to 1	3.25 to 1	2.75 to 1	2.83 to 1	2.78 to 1

(1) Before extraordinary loss of $15,614,000 amounting to $.89 per share, reducing earnings per share to $3.29.

Prior years have been recast to reflect all poolings of interests for the 10-year period.

Statement of Financial Position

December 31, 1968 and December 31, 1967

Assets			In Thousands of Dollars 1968	1967
Cash and temporary cash investments			$ 63,402	$ 66,539
Accounts and notes receivable, less allowances: 1968, $6,253; 1967, $5,148			163,538	159,981
Inventories (Note 2)			264,140	246,934
Total current assets			491,080	473,454
Investments in and receivables from nonconsolidated subsidiaries (Note 1)			33,728	20,882
Miscellaneous investments and receivables			5,931	10,384
Funds held by Trustee for construction (Note 3)			6,110	6,778
Land, buildings, equipment and timberlands, at cost, less allowance for depreciation (Note 7):				
	1968	1967		
Buildings	$ 296,937	$ 288,665		
Machinery and equipment	951,257	881,264		
	1,248,194	1,169,929		
Allowance for depreciation	604,118	588,022		
	644,076	581,907		
Timberlands	33,558	29,739		
Construction in progress	79,923	71,538		
Land	20,093	19,564	777,650	702,748
Deferred charges to future operations			16,070	14,919
Goodwill and other intangible assets			6,550	6,052
			$1,337,119	$1,235,217

The accompanying notes are an integral part of this statement.

	In Thousands of Dollars	
Liabilities	**1968**	**1967**
Notes payable to banks (principally Eurodollars for foreign subsidiaries)	$ 7,850	$ 3,900
Accounts payable and accrued expenses	131,834	114,320
Dividends payable	10,404	9,803
Federal and other taxes on income (Note 5)	24,332	25,550
Long-term indebtedness payable within one year	9,853	7,676
Total current liabilities	184,273	161,249
Long-term indebtedness (Note 4)	350,565	309,228
Deferred taxes on income (Note 5)	86,781	86,033
	621,619	556,510
Capital		
Capital stock:		
Preferred, 7 per cent, cumulative and noncallable, par value $25 per share; authorized 1,760,000 shares, issued 1,661,502 shares	41,538	41,538
Preference, without par value; authorized 1968, 5,000,000 shares, issued, none	—	—
Common, par value $12.50 per share (Note 6):		

	Shares Authorized	Shares Issued
1968	30,000,000	17,679,612
1967	25,000,000	17,655,616

	1968	1967
Common stock	220,995	220,695
Capital in excess of par value (Note 6)	20,084	19,381
Earnings reinvested in the business	436,725	401,199
	719,342	682,813
Less, Common treasury stock, at cost: 1968, 85,363 shares; 1967, 91,245 shares	3,842	4,106
	715,500	678,707
	$1,337,119	$1,235,217

Alden H. Christianson, Vice President and Comptroller

Statement of Operations

American Can Company and its consolidated subsidiaries

For the Years Ended December 31, 1968 and December 31, 1967

	In Thousands of Dollars	
	1968	**1967**
Net sales	$1,633,022	$1,521,814
Costs and expenses (Note 7)	1,470,483	1,364,750
	162,539	157,064
Other income (deductions), net	2,957	(628)
	165,496	156,436
Interest expense	16,252	12,884
	149,244	143,552
Provision for Federal and other taxes on income (Note 5)	71,601	67,437
Income before extraordinary loss	77,643	76,115
Extraordinary loss, net of applicable income tax effect of $11,688,000 (Note 8)	—	15,614
Net income	77,643	60,501
Less, Dividends:		
Preferred stock ($1.75 per share)	2,908	2,908
Common stock ($2.20 per share)	39,209	37,545
	42,117	40,453
Remainder of net income reinvested in the business	35,526	20,048
Earnings reinvested in the business at beginning of year	401,199	381,151
Earnings reinvested in the business at end of year	$ 436,725	$ 401,199
Per share of common stock:		
Income before extraordinary loss	$4.25	$4.18
Extraordinary loss, net of tax effect	—	.89
Net income	$4.25	$3.29

The accompanying notes are an integral part of this statement.

Alden H. Christianson, Vice President and Comptroller

Statement of Source and Application of Funds

American Can Company and its consolidated subsidiaries

For the Years Ended December 31, 1968 and December 31, 1967

	In Thousands of Dollars	
Funds provided by:	**1968**	**1967**
Net income	$ 77,643	$ 60,501
Charges to operations not requiring funds:		
Depreciation and depletion	61,237	57,271
Deferred taxes on income	3,848	1,032
Provision for extraordinary loss on disposition of land, buildings and equipment	—	14,786
	142,728	133,590
Increase in long-term indebtedness	41,337	77,046
Common stock issued for business purchased	303	2,335
Common stock sold to employees under stock option plans	964	1,166
Decrease in funds held by Trustee for construction	668	21,379
	186,000	235,516
Funds used for:		
Land, buildings, equipment and timberlands:		
Replacement and new facilities	164,306	141,159
Sold or retired	(25,067)	(6,731)
	139,239	134,428
Dividends declared on common and preferred stock	42,117	40,453
Increase in noncurrent investments and receivables	8,393	4,013
Increase in deferred charges to future operations	1,151	617
Increase in goodwill and other intangible assets	498	—
	191,398	179,511
Increase (decrease) in working capital	$ (5,398)	$ 56,005

Alden H. Christianson, Vice President and Comptroller

1 The financial statements include all significant domestic and Canadian subsidiaries and an undivided one-half interest in a joint venture referred to in Note 3. Investments in nonconsolidated subsidiaries are stated at cost adjusted for change in equity since acquisition.

2 Inventories are stated at the lower of cost (first-in, first-out; last-in, first-out; and average) or market. A summary of inventories follows:

	In Thousands of Dollars	
	1968	**1967**
Raw materials and supplies	$107,555	$ 96,809
Work in process	70,049	65,290
Finished product	86,536	84,835
	$264,140	$246,934

3 The Company is a participant in an unincorporated joint venture with Skelly Oil Company to manufacture and sell petrochemical products. Each party has an undivided one-half interest in the assets, liabilities and results of operations of the joint venture.

Under a lease and agreement by the Company and Skelly with the City of Clinton, Iowa, the City sold $60,000,000 of 3.80%-4.20% Industrial Development Revenue Bonds in 1966 to construct and equip a petrochemical plant for the use of the joint venture. The plant was substantially completed and began commercial production in July 1968. During 1968, the lease was amended and the City sold $30,000,000 of 5½% Industrial Development Revenue Bonds to provide additional facilities to increase the plant's productive capacity.

Basic rental payments under the lease, as amended, are to be sufficient to pay the interest and debt retirement requirements of these two issues of the City's bonds. Each company is liable for only one-half of the basic rental payments.

For accounting and tax purposes, the Company treats its obligation under the lease, to the extent of $45,000,000 of the bonds issued, as a purchase of property and an assumption of a long-term lease indebtedness (Note 4).

4 Long-term indebtedness payable after one year consisted of the following:

	In Thousands of Dollars	
	1968	**1967**
$2\frac{3}{4}\%$ Debentures, maturing 1971	$ 4,000	$ 5,001
$3\frac{1}{4}\%$ Debentures, maturing 1982	14,000	14,000
$3\frac{3}{4}\%$ Debentures, maturing 1988	65,609	66,721
$4\frac{3}{4}\%$ Convertible debentures, maturing 1988	30,000	—
$4\frac{3}{4}\%$ Debentures, maturing 1990	35,647	35,935
6% Debentures, maturing 1997	75,000	75,000
$4\frac{1}{4}\%$ Notes, maturing 1980	43,550	47,125
$3\frac{7}{8}\%$ Notes, maturing 1981	20,000	21,250
6.2% Notes, maturing 1981	9,700	7,200
Lease indebtedness, payable 1970-1998 (Note 3)	43,965	30,000
Other, principally purchase obligations 3.34%-7% payable 1970-1979	9,094	6,996
	$350,565	$309,228

The $4\frac{3}{4}\%$ Convertible debentures are convertible from May 1, 1969 into common stock of American at $58.50 a share subject to adjustment upon certain events.

Payments due on long-term indebtedness during each of the next five years are: 1969, $9,853,000; 1970, $14,686,000; 1971, $14,195,000; 1972, $12,106,000 and 1973, $12,446,000.

5 The provision for Federal taxes on income includes amounts not currently payable as follows:

For income tax purposes, depreciation methods and rates differ from those used for financial accounting purposes. The resulting reduction in income taxes payable currently ($3,848,000 in 1968 and $1,032,000 in 1967) was added to deferred taxes on income.

The tax effect of the loss on the sale of the glass container business (Note 8) was recognized for book purposes in 1967. For income tax purposes, the portion of such loss not claimed in prior years through accelerated depreciation methods referred to above, is deductible in 1968 and reduces income taxes payable for that year approximately $7,500,000.

The investment tax credit, amounting to approximately $6,950,000 for 1968 and $3,950,000 for 1967, has been applied as a reduction of the income tax provision.

6 During 1968, 23,996 shares of common capital stock were issued, principally for options exercised. As a result, $300,000 was added to common capital stock and the excess proceeds of $664,000 was added to capital in excess of par value.

The 1968 decrease in common treasury stock represents shares issued for a company purchased. The excess of the market price of such stock over its cost ($39,000) was added to capital in excess of par value.

A stock option plan approved by stockholders in 1959 provides for granting options to management employees (including officers) to purchase shares of the Company's

common stock. At December 31, 1968, options were outstanding to purchase 262,322 shares, at prices ranging from $22.42 to $56.69 per share, including 161,256 shares then exercisable, and 37,657 shares were available for future option grants. During 1968, changes in shares optioned were: granted, 60,300; exercised, 23,510; expired, 31,842.

At December 31, 1968, authorized common stock included shares reserved for:

Exercise of options granted or which may be granted and conversion of scrip certificates	300,764 shares
Conversion of 4¾% Convertible debentures (Note 4)	512,820 shares
	813,584 shares

On the assumption that all convertible debentures were converted and that all options outstanding were exercised, and after giving effect to resulting interest and related tax adjustments, earnings per share for 1968 would have been $4.16.

7 Costs and expenses include the following:

	In Thousands of Dollars	
	1968	**1967**
Selling and administrative expenses	$179,409	$162,373
Depreciation and depletion	61,237	57,271

Generally the various classes of fixed assets are depreciated over the estimated useful lives thereof on the straight-line method. Depletion of timberlands is computed principally on the basis of quantity cut in relation to the estimated total quantity in the respective tracts and is credited to the timberlands account.

8 Early in 1968, the Company sold its glass container business and related assets. Provision was made at December 31, 1967 for the estimated loss from such sale. The extraordinary loss in the statement of operations for the year ended December 31, 1967 resulted principally from this provision.

9 The companies have in effect various pension plans covering the majority of their employees. It is the general policy of the companies to accrue and fund annually not less than current costs plus interest on unfunded prior service costs. The aggregate costs of these plans for the years 1968 and 1967 were approximately $16,500,000 and $18,800,000, respectively.

10 The companies were committed at December 31, 1968 for the purchase of plant and equipment in an aggregate amount of approximately $105,000,000.

Annual rentals under noncancelable leases in effect (principally for plants, warehouses and offices) at December 31, 1968 and expiring more than three years after that date amounted to $4,407,000 and are summarized according to lease termination periods as follows: 1972-1976, $1,614,000; 1977-1981, $1,466,000; 1982-1986, $227,000; after 1986, $1,100,000. These amounts are exclusive of payments of taxes and other expenses required under some of the leases.

At December 31, 1968, the Company had guaranteed the obligations of nonconsolidated subsidiaries and affiliates aggregating approximately $17,000,000.

Report of Auditors

To the Stockholders of American Can Company:

We have examined the statement of financial position of American Can Company and its Consolidated Subsidiaries as of December 31, 1968 and 1967 and the statement of operations and the statement of source and application of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned statements present fairly the financial position of American Can Company and its Consolidated Subsidiaries at December 31, 1968 and 1967, and the results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, February 10, 1969.

Lybrand, Ross Bros. & Montgomery

Net Sales Composition

In Thousands of Dollars

By Product Categories	**1968**	**1967**
Metal Cans*	$ 928,837	$ 856,813
Paper:		
Packaging Products	141,038	145,443
Retail & Service	114,490	99,438
Consumer	170,060	156,741
Plastics	61,365	58,448
Chemicals, Printing & Miscellaneous	217,232	204,931
Total	$1,633,022	$1,521,814

By Market Groups	**1968**	**1967**
Beverages**	$ 464,396	$ 406,681
Consumer	170,060	156,741
Drugs & Cosmetics	42,298	41,815
Foods	480,512	464,508
Household & Industrial Products***	178,244	162,865
Service Products	118,588	104,598
Chemicals, Printing & Miscellaneous	178,924	184,606
Total	$1,633,022	$1,521,814

*Includes composite (metal-and-fibre) cans, can handling, filling, closing and cartoning machinery and equipment, reshipping cartons and other machinery and equipment.

**Beer and spirits, soft drinks, coffee, and citrus concentrates.

***Includes sales of pulp, paper, paperboard, lumber and wood chemicals.

American Can Company 100 Park Avenue, New York, N.Y. 10017 (212) 972-4700

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Jervis J. Babb
William E. Buchanan
John R. Henry
Richard R. Hough
Donald B. Kipp
William F. May
William H. Moore
Mundy I. Peale
William C. Stolk
Clarence L. Van Schaick
Joseph C. Wilson

*Corporate Officers

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*Frank J. Graziano, Senior Vice President
*Emile Libresco, Senior Vice President and Group Executive
*Howard R. Weckerley, Senior Vice President
*D. Bruce Wiesley, Senior Vice President
*William S. Woodside, Senior Vice President and Group Executive

*John R. Henry, Vice President and Secretary

*William J. Steinmetz, Vice President and Treasurer

*Alden H. Christianson, Vice President and Comptroller

*C. Richard Pedersen, Vice President and General Counsel

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*Norman G. Strobel

Divisions of American Can Company

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President
Butterick

Richard B. Knight
President and Chief Executive Officer
Printing Corporation of America

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